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APPENDIX III.

[Vide answer to starred question No. 133 asked by Sri R. Suryanarayana Rao, at the meeting of the Legislative Council held on the 7th November 1947, page 679, supra.]

GOVERNMENT OF MADRAS.

PUBLIC (P. & D.) DEPARTMENT.

PRESS NOTE No. 123.

Fort St. George, dated 18th September 1946.

The following note has been issued by the Director of Information and Publicity, Government of Madras:—

The attention of the Government of Madras has been drawn to certain statements and comments in a Section of the Madras Press about the location of a Hydrogenation Factory at Kurnool by Birla Brothers. In view of the misapprehension that these statements and comments are calculated to produce in the public mind, Government desire to publish the following facts which should clarify the position in that connexion.

It is not a fact that this Government granted or recommended the grant of any licence to Birlas. As Birlas placed orders for two Vanaspathi plants in England before the Government of India introduced the scheme for the registration of imported capital goods in December 1944, they were entitled to import the machinery. Further under section 298 of the Government of India Act, ' no subject of His Majesty domiciled in India shall on grounds only of religion, place of birth, descent, colour or any of them shall . . . be prohibited on any such grounds from acquiring, holding or disposing of property or carrying on any occupation, trade, business or profession in British India. In view of the peremptory provisions of this section Birlas cannot in fact be prevented from putting up their factory anywhere in British India. It must be further clearly understood that the allocation to Birlas does not cut into the Vanaspathi quota of 21,000 tons allotted to this Province by the Government of India.

In May 1945, the Government of India stated that their immediate plan was to increase the All-India production of vegetable ghee to the extent of a lakh of tons a year and that in that scheme the quota reserved for Madras was 21,000 tons and proposals were invited for implementing the plan. The Madras Government then selected seven firms or persons and recommended their names to the Government of India. The names of the companies which have been recommended for the purpose are—

(1) The Vizagapatam Vegetable Oil Products, Limited.

(2) The Madras Vanaspathi, Limited, Villupuram.

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(3) Messrs. Sudarasan Oil Mills, Limited, Katpadi.

(4) Bharat Vanaspathi Manufacturing Company, Tadepalli.

(5) Messrs. Karnatak Vegetable Oils and Refineries, Limited, Hospet, Bellary.

(6) The Vegetols, Limited, Chittoor.

(7) Messrs. The East Asiatic Company, Madras.

The Government of India accepted this Government's recommendations and granted the necessary licences for the import of machinery and issue of capital. Subsequently the Government of India allotted a further quota of 9,000 tons under the immediate expansion scheme and that enabled three of the companies already selected to establish factories of 20 tons daily capacity instead of 10 tons. Under the immediate expansion scheme only one company, i.e., Messrs. The Karnatak Vegetable Oils and Refineries, Limited, Hospet, was granted an import licence by the Government of India to import the necessary machinery for running a ten-ton daily capacity Vanaspathi factory.

In 1944–45, the Ceded Districts produced about 675,400 tons of groundnuts or about a third of the total production of the Province. There were only 128 expellers while at least 250 expellers are necessary for converting the entire produce of the Ceded Districts into oil and cake. Further the Karnatak Vegetable Oils and Refineries, Limited, can consume only a little over three thousand tons of oil per annum as against the total oil production of the Ceded Districts of about two lakhs of tons per annum. There is, therefore, vast scope for the expansion of the Vanaspathi as well as oil crushing industry in the Ceded Districts. This Government are willing to consider sympathetically applications for the establishment of new Vanaspathi factories in the Ceded Districts when further quota is allotted to the Province by the Government of India.

Birlas originally wanted to build a Vanaspathi factory in Guntur district. The Advisers' Government after correspondence and personal discussion with Birlas' representatives suggested that instead of having their factory in Guntur district they may have it in Nandyal or Kurnool.

Subsequently this Government learnt that they were endeavouring to instal the plant in Sandur State. Messrs. Karnatak Vegetable Oils and Refineries, Limited, Hospet, complained to this Government that the establishment of a large factory in the State would adversely affect their small factory in Hospet and that this Government should take steps to prevent Birlas from setting up their factory as contemplated.

At this stage the representatives of Birlas again discussed the matter with this Government, and the Government having considered all aspects of the matter came to the conclusion that

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the establishment by Birlas of a large Vanaspathi factory in an Indian Sate within the Province would be against the interests of the Province for the following reasons :—

(1) that the Province has a very large exportable surplus of groundnut kernels and groundnut oil;

(2) that the capacity of Birlas' factory is outside the quota allotted to this Province;

(3) that by locating their factory in an Indian State, Birlas will, while using the groundnut oil of this Province, deprive its people of advantages which could have accrued to the Province by the establishment of a large-scale industry, such as employment of labour, better prices for the local groundnut grower, income from Sales tax to the Province and Income-tax to British India;

(4) that the Karnatak Vegetable Oils and Refineries, Limited, have found it difficult to raise their capital inside the Ceded districts; and

(5) that by allowing the location inside the Province, Birlas can be persuaded to co-operate instead of competing with the other small factories proposed to be established in the Province.

Government are glad to be able to announce that subsequently Birlas have agreed to float a Joint Stock Company in which half the shares will be reserved for the people of this Province and that in respect of sales of Vanaspathi they will co-operate with the smaller units instead of competing with them. They have also agreed to limit their Managing Agency Commission for a large plaint like theirs to 10 per cent of the net profits and an office allowance of Rs. 1,000 per mensem, which they will not draw until the factory commences production. They have further agreed to purchase groundnut oil from local millers.

The Government of Madras make it clear that their objective to encourage local enterprise and capital has not undergone any change and that preference will be given to local enterprise and capital at all times in the starting of new industries, regard being had to the interests of the Province.

C. V. HANUMANTHA RAO,
Director of Information and Publicity.